

## Fair Political Practices Commission

### Memorandum

**To:** Chairman Johnson, Commissioners Hodson, Huguenin, Leidigh, & Remy

**From:** Sukhi Brar, Commission Counsel  
Scott Hallabrin, General Counsel

**Subject:** Determining Whether an Economic Interest Is Directly or Indirectly Involved In a Governmental Decision -- Adoption of Amendment to Regulation 18704

**Date:** February 5, 2008

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**Proposed Commission Action and Staff Recommendation:** Adopt the proposed amendment to Regulation 18704 to clarify when an economic interest is not directly involved in a governmental decision it is indirectly involved.

**Background.** Section 87100 states that “No public official at any level of state or local government shall make, participate in making or in any way attempt to use his official position to influence a governmental decision in which he knows or has reason to know he has a financial interest.” Regulations 18700 et seq. set forth what is known as the “eight-step process” for determining when a public official has a conflict of interest based upon a financial interest.

Step four involves a determination as to whether or not a public official’s economic interest is directly or indirectly involved in a governmental decision. In order to make this determination, multiple regulations must be consulted. As the steps are followed and the pertinent regulations are consulted the regulations conclude that if an economic interest is not directly involved in a governmental decision it is indirectly involved. However, as the regulations currently read, this is not clearly stated and can lead to confusion.

This regulatory amendment is intended to provide clarification that when an economic interest is not directly involved in a governmental decision it is indirectly involved.

This proposed amendment is attached.